

Message Text

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43

ACTION ARA-10

INFO OCT-01 ISO-00 SAB-01 CIAE-00 DODE-00 PM-03 H-02

INR-07 L-02 NSAE-00 NSC-05 PA-02 RSC-01 PRS-01 SP-02

SS-15 USIA-15 AID-05 EB-07 COME-00 TRSE-00 OMB-01

AGR-10 /090 W

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R 271926Z DEC 74

FM AMEMBASSY PANAMA

TO SECSTATE WASHDC 2646

INFO PANCANAL

AMEMBASSY CARACAS

AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

UNCLAS PANAMA 7362

E.O. 11652: N/A

TAGS: ECON, PFOR, ENRG, VE, PN

SUBJECT: ANTI-RECESSION PLAN ANNOUNCED FOR PANAMA

REF: (A) PANAMA 6863 (B) PANAMA 7201 (C) PANAMA A-226 OF
DECEMBER 6, 1974.

SUMMARY: ON DECEMBER 24 THE PLANNING MINISTER ANNOUNCED AN ANTI-RECES
SION

PLAN FOR PANAMA. MEASURES INCLUDED SUBSIDIES ON LOANS TO AGRICULTURE
AND

INDUSTRY, USE OF FUNDS FOR DEVELOPMENT PROJECTS PROVIDED THROUGH THE
DEFERRED PAYMENT AGREEMENT ON PETROLEUM WITH VENEZUELA, REDUCTION
IN BANKS' RESERVE REQUIREMENT, AND INCREASED EXPORT EFFORT. END SUMMA
RY.

1. ON CHRISTMAS DAY LOCAL PRESS GAVE FRONT-PAGE COVERAGE TO MINISTER

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OF

PLANNING AND ECONOMIC POLICY BARLETTA'S CHRISTMAS EVE ANNOUNCEMENT OF AN ANTI-RECESSION PLAN FOR PANAMA, BASED ON THE BOQUETE DECLARATION BY CHIEF-OF-GOVERNMENT GENERAL TORRIJOS ON NOVEMBER 28 (SEE REF A AND C)

BARLETTA NOTED THAT THE GROWTH RATE FOR 1974 WOULD PROBABLY BE 4 PERCENT COMPARED TO BETWEEN 6 AND 7 PERCENT IN 1973 AND THAT THERE WILL BE A BALANCE-OF-PAYMENT "GAP" OF \$60-100 MILLION THAT THE BANKING SYSTEM WOULD BE UNABLE TO PROVIDE FOR.

2. BARLETTA ANNOUNCED THAT STARTING JANUARY 8, 1975, THE GOVERNMENT WOULD INITIATE NEW PROGRAMS TO "CHECK THE SIGNS" OF RECESSION, DENYING THAT THERE ACTUALLY WAS ONE. THE GOVERNMENT WILL PROVIDE A SUBSIDY OF 4 PERCENT ON FARM LOANS AND 3 PERCENT ON INDUSTRIAL LOANS THROUGH DECEMBER 31, 1975. (CURRENT INTEREST RATES ARE ABOUT 13 PERCENT.) A ONE HALF PERCENT SURCHARGE ON ALL OTHER COMMERCIAL AND PERSONAL LOANS THROUGH JUNE 30, 1976 (WHICH THE GOP EXPECTS TO YIELD \$5 MILLION) WILL PROVIDE THE FUNDING.

3. BARLETTA SAID THE DEFERRED PAYMENT AGREEMENT ON PETROLEUM ENTERED INTO WITH VENEZUELA (SEE REF B) WOULD PROVIDE \$17 MILLION FOR DEVELOPMENT PROJECTS DURING 1975. PANAMA, CURRENTLY PAYING \$10 A BARREL, WOULD PAY \$6 AND DEPOSIT \$4 IN ITS OWN BANCO NACIONAL TO THE ACCOUNT OF THE VENEZUELA DEVELOPMENT CORPORATION. THE DEFERRED PAYMENT AGREEMENT WHICH WILL BE IN EFFECT FOR SIX YEARS, IS EXPECTED TO BUILD UP A FUND OF \$62 MILLION ON THE BASIS OF 13,000 BARRELS A DAY FROM VENEZUELA. TERMS ARE 25 YEAR REPAYMENT SCHEDULE AT 8 PERCENT INTEREST.

4. BARLETTA ALSO SAID ARRANGEMENTS SHOULD BE COMPLETED BY MID-JANUARY WITH LOCAL BANKS FOR A \$20 MILLION FUND TO BE USED FOR HOME CONSTRUCTION IN THE \$10-\$30 THOUSAND RANGE ADDITIONAL TO AN ALREADY-ARRANGED \$40 MILLION FUND FOR LOW-COST HOUSING.

5. BARLETTA ANNOUNCED THAT THE BANKING LAW HAS BEEN AMENDED, LOWERING THE RESERVE REQUIREMENT FROM 5 TO 4

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PERCENT. ALSO AN EFFORT TO INCREASE EXPORTS BY \$10-\$15 MILLION WOULD BE MADE (NO DETAILS GIVEN). BARLETTA DENIED ANY INTENTION OF RESTRICTING THE IMPORT OF LUXURY ITEMS, BUT ADDED THAT IT IS UNDER STUDY AND MIGHT BE USED AS A LAST RESORT.
JORDEN

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